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**SUSSMAN
PROPERTIES
LIMITED**



SUSSMAN PROPERTIES LIMITED

*Report for Year Ended
December 31, 1968*

SUSSMAN PROPERTIES LIMITED

HEAD OFFICE: BRITANNICA HOUSE, 151 BLOOR STREET WEST, TORONTO, CANADA

BOARD OF DIRECTORS:

EDWIN A. GOODMAN, Q.C.
GEORGE T. HEFTER
MICHAEL KLEIN
LLOYD R. LUDWIG
HENRY B. SUSSMAN
NOEL ZELDIN

OFFICERS:

HENRY B. SUSSMAN, *President*
NOEL ZELDIN, *Vice-President*
LLOYD R. LUDWIG, *Vice-President*
A. J. W. ARNOLDI, *Vice-President*

BROKERAGE SUBSIDIARY:

H. B. SUSSMAN ASSOCIATES LIMITED
A. J. W. ARNOLDI, *President*

TRANSFER AGENT AND REGISTRAR:

THE GUARANTY TRUST COMPANY OF TORONTO
Toronto - Montreal

CORPORATE COUNSEL:

GOODMAN & GOODMAN
Toronto

AUDITORS:

WM. EISENBERG & COMPANY
Chartered Accountants
Toronto

BRANCH OFFICES:

VANCOUVER, B.C.
Suite 200, 549 Howe Street
R. B. ROMER
Manager

EDMONTON, ALTA.
Garneau Towers, 8510 - 111th Street
GEORGE BENNETT
Manager

REGINA, SASK.
Northgate & Avon Shopping Centres
Administrative Offices
Albert St. and 7th Ave. North
GORDON GILL
Manager

President's Report To The Shareholders

April 1, 1969

The year ended December 31, 1968 was one of significant advances for Sussman Properties Limited.

Net earnings increased to \$96,879 compared to \$27,845 a year earlier. Earnings per share amounted to 20.8 cents and can be compared to last year's earnings per share, after adjusting for the consolidation of our capital stock, of 5.9 cents.

To strengthen the Company's financial position, we took steps to alter our share structure by the conversion of the Preference Shares into Common Shares and the consolidation of the Common Shares on a one-for-four basis. This share consolidation necessitated a change in the Company's name to Sussman Properties Limited.

Income producing real estate, planned and developed in prior years, has now attained sufficient levels to provide a continuous cash flow income that gives your Company the solid base required for future operations.

During the year, we purchased, sold and leased back the following properties:

CHARTER TOWERS, CALGARY, ALTA.

309 Suite high-rise apartment and 40,000 square feet commercial space

GARNEAU TOWERS, EDMONTON, ALTA.

309 Suite apartment building

SWANSEA SHOPPING CENTRE, TORONTO, ONT.

35,000 square feet of retail space (under construction)

NORTHGATE SHOPPING CENTRE, REGINA, SASK.

250,000 square feet of retail space

Total leasehold interests of the Company, including the above properties, is estimated by management to be far in excess of their value as reflected in the books of the Company.

Early in 1969, the Company purchased a 50 per cent interest in an \$11,000,000 proposed shopping centre in Hollywood, Florida, consisting of over 1,000,000 square feet of retail space. Four major U.S. department stores are expected to become occupants of this enclosed mall shopping centre which will become, on completion, one of the largest shopping centres in Florida. Details are expected to be finalized by September, 1969, with construction scheduled to begin shortly thereafter.

The Company is also participating in the initial financing of an enclosed mall regional shopping centre of approximately 400,000 square feet in Eau Claire, Wisconsin. Total cost of the development is expected to be \$7,000,000 and to include at least three major U.S. department stores. The Company's financial participation can be converted, at our option, into a 25 per cent equity in the project.

These ventures are consistent with our policy of further increasing our cash flow through investment in revenue producing properties and/or our profits from the sale of such properties upon completion.

Our licensed real estate brokerage division, H. B. Sussman Associates Limited, was broadened in scope and activity during the year under review. Under the presidency of A. J. W. (Tony) Arnoldi who joined us in October, 1968, this wholly-owned subsidiary is expected to make an increased contribution to earnings in 1969 and future years.

Early in 1969, we established representation in Vancouver by the appointment of R. B. Romer whose responsibility will be to investigate investment opportunities in real estate in British Columbia and Alberta.

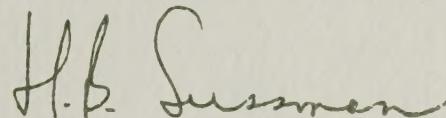
Your Company has been active on a modest scale in the development, in partnership with others, of two multi-family residential sites in Metropolitan Toronto. When these land development projects are sold to builders, it is expected that the profits therefrom will add to the Company's future income. Our overall policy includes the development of such specialized land situations in a carefully planned and orderly manner.

Our management team has been substantially augmented in recent months. Noel Zeldin acquired a significant number of shares in your Company and became active as a Vice-President and a Director. His knowledge and experience in real estate add greatly to the senior management of the Company. Tony Arnoldi and Rick Romer, mentioned earlier in this report, are important additions to the management team. Lloyd Ludwig, Vice-President in charge of property management and development, has been an active member of our management team for several years and his department has increased its activities significantly in recent years.

Pursuit of our stated objectives to increase our annual revenue through the creation of leasehold interests and management fees, has resulted in improved earnings in 1968. We hope the same trend will continue through 1969 and beyond. Your Company is actively engaged in many aspects of real estate in North America and we shall continue to explore further ventures in related fields.

We wish to express our gratitude to associates, employees and shareholders for their loyalty and support and look forward, with them, to continued progress in 1969.

Respectfully submitted,



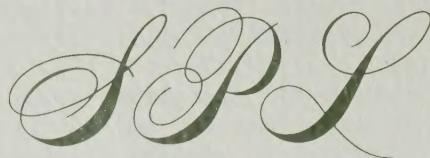
HENRY B. SUSSMAN,
President.

LEASEHOLD INTERESTS

<i>Location of Building</i>	<i>Leased Area</i>	<i>Percentage Owned by Sussman</i>
102 Bloor St. West, Toronto, Ont.	150,000 sq. ft.	100%
151 Bloor St. West, Toronto, Ont. (Britannica House)	200,000 sq. ft.	48%
Avon Shopping Centre, Regina, Sask.	80,000 sq. ft.	100%
Charter Towers, Calgary, Alta.	309 suites	100%
Garneau Towers, Edmonton, Alta.	309 suites	100%
Swansea Shopping Centre, Toronto, Ont. (under construction)	35,000 sq. ft.	100%
Northgate Shopping Centre, Regina, Sask.	250,000 sq. ft.	100%

FUTURE DEVELOPMENTS

Eau Claire Shopping Centre, Eau Claire, Wisconsin	400,000 sq. ft.	25%
Hollywood Shopping Centre, Hollywood, Florida	1,000,000 sq. ft.	50%



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— ASSETS —

	1968	1967
Cash on Hand and in Bank	\$ 52,473	\$ 49,179
Cash in Bank — Clients' Trust	315	21,950
Deposit Receipt — Matures January 1969	50,000	—
Accounts and Notes Receivable — Current	121,687	61,562
— Deferred (Note 2)	171,429	170,746
Interest Receivable	1,987	8,687
Income Taxes and Special Refundable Taxes Recoverable	21,511	—
Prepaid Expenses and Sundry Receivables	51,559	13,688
Deposits and Options	28,631	11,365
Interest in Real Estate Held for Resale (Note 3)	439,139	18,730
Loans to Shareholders	—	29,000
Due from Affiliates (Note 4)	105,261	87,428
Investments — at Cost (No Quotable Market Value)	21,903	25,903
Mortgage Receivable	250,000	250,000
Fixed Assets — At Cost — Less Accumulated Depreciation and Amortization (Note 5)	20,503	21,633
Leasebacks — At Cost Less Amortization (Note 6)	55,167	—
Excess of Purchase Price of Shares in Subsidiaries over Net Book Value	<u>254,300</u>	<u>254,300</u>
	<u><u>\$1,645,865</u></u>	<u><u>\$1,024,170</u></u>

ERTIES LIMITED

ALTY CORPORATION LIMITED)

s of the Province of Ontario)

D SUBSIDIARIES (Note 1)

BALANCE SHEET

EMBER 31, 1968

as at December 31, 1967)

— LIABILITIES —

	1968	1967
Bank Indebtedness	\$ 29,435	\$ 103,550
Due to Clients Re Trust Accounts	315	21,950
Accounts Payable and Accrued Charges	147,931	167,210
Commissions Payable	—	4,996
Clients' Deposits	52,121	—
Mortgages Payable (Note 7)	637,968	—
Income Taxes Payable — Current	—	71,937
— Deferred (Note 8)	98,380	50,646
Loans Payable	42,357	63,402
TOTAL LIABILITIES	\$1,008,507	\$ 483,691

— SHAREHOLDERS' EQUITY —

CAPITAL STOCK (Note 9)	\$ 710,889	\$ 710,889
CONTRIBUTED SURPLUS	7,500	7,500
	\$ 718,389	\$ 718,389
DEFICIT — Per Statement	(81,031)	(177,910)
	\$ 637,358	\$ 540,479
	\$1,645,865	\$1,024,170

APPROVED ON BEHALF OF THE BOARD

HENRY B. SUSSMAN, *Director*

NOEL ZELDIN, *Director*

SUSSMAN PROPERTIES LIMITED

(FORMERLY THE SUSSMAN REALTY CORPORATION LIMITED)

(Incorporated under the Laws of the Province of Ontario)

AND ITS WHOLLY-OWNED SUBSIDIARIES (Note 1)

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1968

(With comparative figures for the year ended December 31, 1967)

EARNINGS

INCOME

	1968	1967
Commissions and Fees Earned, Profits From Sales,		
Sundry and Net Rental Revenue	\$397,409	\$187,908
Interest Earned	28,896	38,240
Dividends Earned	9,600	9,600
Profit From Sale of Investments	36,256	—
	<u>\$472,161</u>	<u>\$235,748</u>

EXPENSES

Selling, General and Administrative Expenses	\$301,873	\$188,045
Depreciation and Amortization of Assets	7,376	7,311
Interest Expense	27,713	13,233
	<u>\$336,962</u>	<u>\$208,589</u>
NET PROFIT FOR THE YEAR BEFORE PROVISION FOR INCOME TAXES	\$135,199	\$ 27,159
Estimated Income Taxes Payable (Recoverable)	38,320	(686)
NET PROFIT FOR THE YEAR	\$ 96,879	\$ 27,845

DEFICIT

Balance, Beginning of The Year	(177,910)	(205,755)
Balance, End of The Year	<u>(\$ 81,031)</u>	<u>(\$177,910)</u>

To be read in conjunction with the attached notes which form an integral part of these Financial Statements.

SUSSMAN PROPERTIES LIMITED

(FORMERLY THE SUSSMAN REALTY CORPORATION LIMITED)

(Incorporated under the Laws of the Province of Ontario)

AND ITS WHOLLY-OWNED SUBSIDIARIES (Note 1)

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968
(With comparative figures for the year ended December 31, 1967)

SOURCE OF FUNDS	1968	1967
Net Profit from Operations	\$ 96,879	\$ 27,845
Depreciation and Amortization Not Requiring Cash Outlay of Funds	7,376	7,311
Decrease in Interest Receivable	6,699	—
Decrease in Loans to Shareholders	29,000	—
Decrease in Investments	4,000	—
Increase in Clients Deposits	52,121	—
Increase in Mortgages Payable	637,968	—
Decrease in Accounts and Notes Receivable and Prepaid Expenses	—	43,742
Decrease in Mortgages Receivable	—	62,668
Decrease in Advances to Affiliates	—	90,850
Increase in Accounts Payable, Accrued Charges and Commissions Payable	—	7,950
Other Items	—	2,243
	<u>\$834,043</u>	<u>\$242,609</u>

USE OF FUNDS

Decrease in Net Income Tax Liability	\$ 45,714	\$ 43,909
Increase in Prepaid Expenses and Sundry Receivables	37,871	—
Increase in Deposits, Options and Real Estate Held for Resale	437,675	26,670
Increase in Accounts and Notes Receivable	60,808	—
Increase in Due from Affiliates	17,833	—
Purchase Furniture and Equipment	5,643	22,591
Acquisition of Leasebacks	55,770	—
Decrease in Bank Indebtedness	74,115	—
Decrease in Accounts Payable, Accrued Charges and Commissions Payable	24,275	—
Decrease in Loans Payable	21,045	80,970
Increase in Loans to Shareholders	—	29,000
Increase in Investments	—	7,319
	<u>\$780,749</u>	<u>\$210,459</u>
Increase in Cash on Hand, In the Bank and Deposit Receipts	<u>\$ 53,294</u>	<u>\$ 32,150</u>

To be read in conjunction with the attached notes which form an integral part of these Financial Statements.

SUSSMAN PROPERTIES LIMITED

(FORMERLY THE SUSSMAN REALTY CORPORATION LIMITED)

(Incorporated under the Laws of the Province of Ontario)

AND ITS WHOLLY-OWNED SUBSIDIARIES (Note 1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1968

1. PRINCIPALS OF CONSOLIDATION

The Consolidated Financial Statements for the year ended December 31, 1968 include the accounts of Sussman Properties Limited (formerly the Sussman Realty Corporation Limited) and its wholly-owned subsidiaries; H. B. Sussman Associates Limited, H. B. Sussman Associates (Quebec) Limited, Noldon Investments Limited and Avon Shopping Centre Limited. The Sussman Realty Corporation of New York and Downtown Brampton Realty Limited did not engage in any significant active commercial business in 1968 and are not consolidated herein.

2. DEFERRED ACCOUNTS AND NOTES RECEIVABLE

These accounts and notes are receivable as follows:

1970	\$19,200
1971	49,300
1972	16,583
1973	9,700
1974 and subsequently	76,646 payable \$9,800 in 1974 and approximately \$10,000 per annum until paid.

3. INTEREST IN REAL ESTATE HELD FOR RESALE

A shopping centre site was purchased in 1968 and construction commenced in 1969. Included in the costs are interest, taxes, professional fees and building permits. The company has contracted to sell this property in 1969 at cost plus an administration fee, and lease back the premises for a period of twenty-five years at a rental which will yield to the purchasers a minimum return of 9.55% on their investment.

4. DUE FROM AFFILIATES

Included in this asset are amounts owing from an affiliated company totalling \$60,851. In 1968 the affiliate received a re-assessment in respect of its income taxes, which if valid would impair its ability to pay the said amount of \$60,851. The company has been advised by its counsel that in their opinion, the validity of the said assessment is doubtful.

5. FIXED ASSETS

Office Furniture and Equipment — at cost	\$22,867	
LESS: Accumulated Depreciation	15,425	\$ 7,442
Maintenance Equipment — at cost	\$ 7,755	
LESS: Accumulated Depreciation	2,381	5,374
Automotive Equipment — at cost	\$13,394	
LESS: Accumulated Depreciation	6,893	6,501
Leasehold Improvements — at cost	\$ 1,466	
LESS: Accumulated Amortization	280	1,186
		\$20,503

The rates of depreciation used are the maximum allowed under the Canadian Income Tax Act.

6. LEASEBACKS

The company purchased, sold, and leased back during the year, certain real estate properties, which, it is expected, will earn income over the duration of the leases. The company has capitalized the costs incurred in obtaining these leasebacks and will amortize those costs over the term of the leases.

7. MORTGAGES PAYABLE

These mortgages consist of the following:

	Interest	Principal	Maturity Date
Mortgage of Real Estate Held for Resale	7%	\$ 75,000	July 1, 1969
Mortgage of Real Estate Held for Resale	6½%	180,000	August 4, 1969
Mortgage Draws re Shopping Centre Construction	9.55%	118,568	December 23, 1969
Mortgage of Mortgage Receivable	11%	250,000	February 1, 1970
Mortgage on Land Held for Resale	8¼%	14,400	September 26, 1972
			<u>\$637,968</u>

8. INCOME TAXES

For income tax purposes, Sussman Properties Limited, H. B. Sussman Associates Limited, and H. B. Sussman Associates (Quebec) Limited have reported their incomes on the excess of cash receipts over cash disbursements. The total net deferred income taxes payable is estimated at \$98,380 in respect of amounts not yet actually received but which have been included in the annexed statement as receivable. In the year that these amounts are received the deferred taxes will become currently payable.

9. CAPITAL STOCK

Common Shares without nominal or par value

Authorized — 1,440,619 Shares

Issued and Fully Paid — 465,627 Shares

During the year one common share was issued for a cash consideration of 30¢. Supplementary letters patent were granted during the year enabling the company to:

- (a) Convert the 125,000 preference shares of the par value of \$2.00 each into 837,500 common shares without par value.
- (b) Consolidate the 1,862,508 issued common shares without par value into 465,627 common shares without par value.

10. CHANGE OF NAME

By Supplementary Letters Patent granted during the year the company changed its name from The Sussman Realty Corporation Limited to Sussman Properties Limited.

11. COMMITMENTS AND CONTINGENT LIABILITIES

Minimum annual rents totalling approximately \$1,445,000 are payable under long term leaseback arrangements made by the company and its subsidiaries. Rent income in connection with these leasebacks is in excess of the rent expense.

12. MANAGEMENT REMUNERATION

Remuneration to the officers, directors and senior employees, and management fees paid, amounted to \$137,300 in 1968.

AUDITORS' REPORT

To the Shareholders of
SUSSMAN PROPERTIES LIMITED:

We have examined the Consolidated Balance Sheet of Sussman Properties Limited and its wholly-owned Subsidiaries as at December 31, 1968, and the Consolidated Statements of Earnings and Deficit, and Source and Use of Funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Companies as at December 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada.
April 3, 1969.

W.M. EISENBERG & Co.,
Chartered Accountants.

